

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA**  
Alexandria Division

In re:

**KAREN J. DEMATTEO,**

Debtor.

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**Case No. 20-12626-BFK**  
**Chapter 7**

**TRUSTEE’S MOTION FOR APPROVAL OF THE SALE  
OF CRYPTOCURRENCY BY COINBASE UNDER 11 U.S.C. § 363(b)  
AND FOR TURNOVER OF PROPERTY BY A CUSTODIAN UNDER 11 U.S.C. § 543(b)(1)**

DONALD F. KING, TRUSTEE (“**Trustee**”), the chapter 7 trustee for the bankruptcy estate of Karen J. DeMatteo (“**Debtor**”), by counsel, pursuant to 11 U.S.C. §§ 543(b)(1) and 363(b), requests that the Court approve the Trustee’s Motion for Turnover of Property and for Approval of the Sale of Cryptocurrency, and in support thereof, states as follows:

1. The Debtor filed a voluntary chapter 7 petition (“**Bankruptcy Petition**”) on December 2, 2020 (the “**Petition Date**”).

2. The Trustee is the duly appointed chapter 7 trustee.

3. Among the assets of the Debtor’s bankruptcy estate (“**Bankruptcy Estate**”) is cryptocurrency remaining in certain accounts that the Debtor owned and controlled through the cryptocurrency exchange maintained by Coinbase Global, Inc. (“**Coinbase**”). The Coinbase accounts (“**Coinbase Accounts**”) are associated with the following email addresses of the Debtor: karenjdematteo@gmail.com; dematteokaren@gmail.com; and boomersforcrypto@gmail.com.

4. Some of the funds that were held in the Coinbase Accounts as of the Petition Date have been transferred by the Debtor and are subject to a separate motion for turnover filed by the

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**BRADLEY D. JONES (VSB No. 85095)**  
Counsel for Trustee  
**ODIN FELDMAN & PITTLEMAN PC**  
1775 Wiehle Avenue, Suite 400  
Reston, Virginia 20190  
Phone: 703-218-2176  
Fax: 703-218-2160  
Email: Brad.Jones@ofplaw.com

Trustee. However, there is remaining cryptocurrency in one or more of the Coinbase Accounts.

The Coinbase Accounts currently hold the following cryptocurrencies in the following amounts:

<b>Account Name</b>	<b>Balance</b>
ATOM Wallet	0.678465 ATOM
BCH Wallet	2.3470134 BCH
CGLD Wallet	131.35019738 CGLD
ETH Wallet	2.08504712 ETH
GRT Wallet	1,267.26620051 GRT
MANA Wallet	48.04648521 MANA
OGN Wallet	186.67356112 OGN
UNI Wallet	56.68548114 UNI
USDC Wallet	998.907518 USDC
XTZ Wallet	67.837475 XTZ
YFI Wallet	0.01243311 YFI

5. The Trustee is seeking authority to sell this cryptocurrency through Coinbase pursuant to 11 U.S.C. § 363(b).

6. The value of this cryptocurrency fluctuates with market prices for each of the cryptocurrencies and so the sale price will depend on the value of each currency at the time it is liquidated by Coinbase. Given the nature of these assets, the Trustee anticipates that the market for these currencies may be volatile. However, the Trustee believes reducing the currency to cash is in the best interest of the Bankruptcy Estate.

A. The Court Should Require Sale of Funds and Turnover to the Bankruptcy Estate Pursuant to 11 U.S.C. § 543(b)(1).

7. At the time the Bankruptcy Petition was filed, Coinbase was a custodian, within the meaning of 11 U.S.C. §101(11), holding the Coinbase Accounts for the benefit of the Debtor.

8. Pursuant to 11 U.S.C. § 543(b)(1), when a bankruptcy case is filed, a custodian is required to “deliver to the trustee any property of the debtor held by or transferred to such

custodian, or proceeds, product, offspring, rents, or profits of such property, that is in such custodian's possession, custody, or control on the date that such custodian acquires knowledge of the commencement of the case.”

9. The Coinbase Accounts are the property of the Bankruptcy Estate and in the custody, or control of Coinbase as custodian. Currently, the Coinbase Accounts hold only cryptocurrency which is digital currency which has a value in United States dollars, but which needs to be sold at market prices in order to be converted into cash.

B. The Court Should Approve the Sale of the Cryptocurrency Pursuant to 11 U.S.C. § 363(b).

10. The Court should require Coinbase to sell and/or convert the cryptocurrency into United States dollars and turn over the proceeds of the sale to the Trustee.

11. The Internal Revenue Service (IRS) recognizes cryptocurrency as a currency which is subject to taxation. As part of the sale and turnover, the Trustee requests that Coinbase update the account statement to reflect that the Trustee is authorized to exercise control over the Coinbase assets. The Trustee further requests that Coinbase be required to deliver any tax basis information it is maintaining with respect to the Coinbase Accounts to the Trustee, including providing the Trustee with a copy of any IRS Form 1099-Misc or other similar tax document(s) issued in connection with the Coinbase Accounts or the sale of the cryptocurrency.

12. Based on the information received by the Trustee, the Trustee believes the Coinbase Accounts are held by the Debtor free and clear of any secured claims, as there are no secured claims listed with respect to this cryptocurrency in the Debtor's schedules. *See* Dkt. No. 1 at 16–17.

13. The Trustee requests that the Court grants his Motion and authorize Coinbase to sell and convert to United States dollars the cryptocurrency held in the Coinbase Accounts and to

require Coinbase to turn over the proceeds to the Trustee. To facilitate turnover, the Trustee will provide the Coinbase office servicing the client relationship with a mailing address for the Trustee and/or wire transfer instructions for the Trustee's fiduciary account for the Bankruptcy Estate.

14. The Trustee further requests authority to sell and convert to United States dollars any additional cryptocurrency that is recovered by the Trustee, including any additional cryptocurrency recovered by the Trustee from the Debtor or third parties. The Trustee is in the process of recovering from the Debtor additional cryptocurrency or proceeds that were transferred by the Debtor post-petition from the Coinbase Accounts. The Trustee in his business judgment believes it is in the best interest of the Bankruptcy Estate to liquidate any cryptocurrency recoveries through the Coinbase exchange at current market prices. The Trustee requests the Court authorize Coinbase to sell and turnover to the Trustee any additional cryptocurrency recovered by the Trustee without further order of the Court.

15. Information regarding the proposed sale is as follows:

- a. Type of Sale: Public.
- b. Purchase Price: Value set by public market.
- c. Appraisal Value: There is no appraisal. However, the Trustee through counsel has discussed this with Coinbase, which advised that the net portfolio value of the accounts as of September 23, 2021, was approximately \$14,000.00. Depending on the value of each cryptocurrency at the time of the sale, the amount realized by the Bankruptcy Estate may be higher or lower.
- d. Place and Time of Sale: Trustee will issue a sell order to Coinbase any time after fourteen (14) days from the date of the Court's entered order granting the Motion.
- e. Costs of Sale: Any usual and customary costs charged by Coinbase in connection with the sale.
- f. Estimated Trustee's Commission: \$2,150.00 as calculated pursuant to 11 U.S.C. § 326(a).

- g. Liens: The Coinbase Accounts are not subject to any secured claims.
- h. Tax Consequences of Sale to Bankruptcy Estate: The Trustee anticipates the proposed liquidation of the Coinbase Accounts may have tax consequences, depending on the Debtor's tax basis in the cryptocurrency assets.
- i. Net Proceeds of Sale to Bankruptcy Estate: Approximately \$11,850.00 after payment of costs of sale and the Trustee commission and before taxes, counsel to Trustee's fees and expenses, and accounting expenses.

16. The following shall be paid at closing from the proceeds of sale, with the balance, if any, to be held by the Trustee pending the final distribution of the assets of this case by the Trustee: (i) any fees or taxes owed by the Bankruptcy Estate upon the sale of the cryptocurrency; (ii) Coinbase's fees and costs; and (iii) other costs related to the sale of the cryptocurrency held in the three Coinbase Accounts (collectively, "**Payments at Closing**").

WHEREFORE, DONALD F. KING, TRUSTEE, by counsel, moves this Court to enter an Order (i) authorizing Coinbase to sell the cryptocurrency held in the Coinbase Accounts and convert it to United States dollars; (ii) authorizing Coinbase to turn over the funds from the sale of the Accounts assets to the Trustee; (iii) authorize Coinbase to turn over any additional cryptocurrency which is recovered by the Trustee and returned to the Coinbase Accounts; (iv) authorizing the Trustee to make the Payments at Closing; (iv) further authorizing the Trustee to take all actions necessary and reasonable to consummate the sale of the asset held in the Accounts; and (v) granting such other further relief as it may deem necessary or appropriate.

**DONALD F. KING, TRUSTEE**  
By counsel

By: /s/ Bradley D. Jones  
**Bradley D. Jones (VSB No. 85095)**  
**Counsel for Trustee**  
**ODIN FELDMAN & PITTLEMAN PC**  
**1775 Wiehle Avenue, Suite 400**  
**Reston, Virginia 20190**  
**Phone: 703-218-2176**  
**Fax: 703-218-2160**  
**Email: Brad.Jones@ofplaw.com**

**CERTIFICATE OF SERVICE**

The undersigned certifies that this Motion along with the Proposed Order was served on March 8, 2022, (i) electronically upon all registered users in this case pursuant to this Court's CM/ECF procedures; (ii) upon the service list attached to the Notice of Hearing; (iii) upon the U.S. Trustee by email to ustpregion04.ax.ecf@usdoj.gov; (iv) upon Coinbase by email to Michael Cianfrani at michael.cianfrani@coinbase.com; and (iv) by first class and certified mail upon the following:

Karen J. DeMatteo  
3808 Mount Atlas Lane  
Haymarket, VA 20169-1818

Stephen J. Sheehy, III  
11350 Random Hills Road  
Suite 700  
Fairfax, VA 22030

John P. Fitzgerald, III  
Acting United States Trustee for  
Region 4  
1725 Duke Street, Suite 650  
Alexandria, VA 22314

The Corporation Trust Company  
R/A for Coinbase, Inc.  
Corporation Trust Center  
1209 Orange Street  
Wilmington, DE 19801

The Corporation Trust Company  
R/A for Coinbase Global, Inc.  
Corporation Trust Center  
1209 Orange Street  
Wilmington, DE 19801

C T Corporation System  
R/A for Coinbase, Inc.  
4701 Cox Road, Suite 285  
Glen Allen, VA 23060

The Corporation Trust, Inc.  
R/A for Coinbase, Inc.  
2405 York Road, Suite 201  
Lutherville Timonium, MD 21093-2264

Coinbase, Inc.  
Attn: Emilie Choi, President & COO  
Attn: Michael Cianfrani  
430 California Street  
San Francisco, CA 94104-1301

/s/ Bradley D. Jones

Bradley D. Jones